

**Opening Remarks of Chairman Henry J. Hyde
before a Joint Hearing of the
House Committee on Armed Services and the
House Committee on International Relations
on
“The National Security and Foreign Policy Implications
for the United States of Arms Exports to the People’s Republic of China
by Member States of the European Union”**

Thursday, April 14, 2005, 9:00 a.m.

Thank you, Chairman Hunter. Please permit me also to thank you and the Members of the Armed Services Committee for your hospitality in hosting our joint hearing today. I would also like to thank the witnesses for their participation in our hearing.

Beyond the war on terrorism and the proliferation of weapons of mass destruction, I think we will look back on the question of how we deal with China as one of the most important issues of our time. Of course, the choices are China’s to make. But other countries, including the United States and our friends in Europe, can have a great influence in encouraging and helping to shape China’s choices, just as we did in bringing about a peaceful end to the tyranny of the former Soviet Union and its hold over Eastern Europe.

The national security stakes for our country are significant on two levels. The first concerns stability in the Far East. Our armed forces and the extensive defense commitments we have throughout that region have been decisive in ensuring the development of a peaceful and prosperous region since the end of World War II. There is near unanimity in our country that future peace and prosperity depend on the development of democracy in China -- and not on a military buildup by China that threatens its neighbors and seeks to challenge the U.S. military presence in the region.

Into this sensitive area comes the discovery that our European allies have been aiding China’s military buildup through an assortment of arms deliveries. They hasten to add that their

arms transfers imply no threat to our security interests because they do not include the missiles fitted on Chinese attack aircraft or the torpedoes stowed on Chinese submarines, but only the engines that power these systems and the electronics that guide their missions.

Few, if any, Americans can grasp the logic of such explanations. But, we have no difficulty understanding that this is a policy designed for unvarnished commercial purposes. It is also the latest manifestation of a misguided European security policy championed not by all Europeans, but by a few, vocal governments who believe it is Europe's destiny to "balance" the interests of the United States around the world, all the more so in instances where there is money to be made.

How ironic that this issue should come to a head during the President's recent trip to Europe, the first of his second term, in which he held out the hand of cooperation on global security matters after several years of public sniping from some of our European allies. In this respect, I hope the record of our hearing could reflect the great praise due to the President for the clarity and determination in which he made our country's concerns known -- just as we asked him to do when adopting H. Res. 57 on the eve of his visit.

The second level affecting our national security interests involves a broader question of great importance. It concerns the kind of transatlantic relationship we will have with Europe in the future, and whether it will continue to be characterized by intense defense industrial cooperation and transfers of sensitive military technology.

Despite perennial complaints that our export control and technology access policies are too stringent, it is fair to say that European governments and their firms have benefited enormously over the years from the relatively open policies which our government has followed. This is evident with respect to our abundant sharing of military technology with NATO and NATO member governments through hundreds of cooperative Research & Development (R&D) programs, and licensed technology transfers to European defense industry.

It is also evident in the open foreign investment environment we have maintained in the United States for European companies, who today own or control an unprecedented number of American firms. As a consequence, they have gained a steadily increasing share of the Department of Defense procurement budget.

And it is equally evident in our government's policy of routinely waiving "Buy American Act" requirements in order to permit European sales to the Department of Defense, even while we say nary a word about offset policies which require American firms to transfer technology and production to Europe as the price for doing business over there.

The proportionality of benefits to both sides of the Atlantic is reflected partly in the contributions each side makes to military R&D. Historically, U.S. Government spending on military R&D has eclipsed European spending by several orders of magnitude. The United States is the world leader in military R&D and today spends about six times as much as the United Kingdom, France, Germany and Italy, combined.

This disparity permits Europe to keep pace with the results of U.S. military R&D, even while it channels resources into duplicative systems designed to compete with U.S. systems, such as the \$3 billion Galileo navigation satellite program into which China has also been invited to take part.

Without a doubt, our defense cooperation policies have not been motivated merely by largesse, but also involve calculations about mutual benefits to our own country and U.S. companies. But for many years, the overriding calculation about benefits to our country has been the importance of maintaining and expanding, where appropriate, the defense industrial ties that provide an important part of the fabric of our broader transatlantic relations.

However, European arms sales to China now raise fundamental questions about whether defense industrial cooperation with Europe is becoming a national security liability for our country. I was somewhat reassured by Secretary Rice's comment, during her recent trip, that she found Europeans open to our concerns. However, I am left with the impression that, prior to her

and the President's intervention, for most of the past 12 months, European reaction to our concerns has generally been one of indifference – and that European arms technology continues to flow to China even while the EU debates our concerns.

In the final analysis, it will be our European friends who determine the kind of transatlantic relationship we have in this area by how they resolve the issue of arms sales to China. In the meantime, it is incumbent upon the Congress to continue to emphasize that it will not be possible for Europe to have it both ways on such a grave matter.